Supreme Court of the United States

PETITIONER'S REPLY BRIEF

PETITIONER'S REPLY BRIEF

In resisting this petition for certiorari, Respondents assert, initially, that Petitioner somehow misstated the facts on this record; and, secondly, that, on the facts as restated by Respondents, the trial court and Court of Appeals' decisions find adequate support under California law. The tissue-thin nature of such assertions is readily discerned by a cursory glance at Respondents' so-called counter-statement of facts (Resp. Brief, pp. 2-4), and by an unravelling of Respondents' twisted attempts to distinguish *Lee v. Samburu* and the *By-Buk* case. Respondents apparently admit that the latter cases do represent the true state of the California law of trade secrets.

I.

Respondents' Counter-statement of facts consists of the irrelevant, obvious and inaccurate.

What are the facts upon which Respondents rely? First, it is asserted that silicon rectifiers were developed in 1952. This "fact" has, throughout this litigation, been the focal point of Respondents' studied determination to befog the true issues involved in this case. In the first place, silicon rectifiers are not the "subject matter" of this litigation. Petitioner has never claimed proprietary interest in all such devices. Certainly, Respondents do not. The subject matter is, instead, the Tarzian process for manufacture of its particular silicon rectifier which Petitioner asserts was pirated by Respondents. The fact that a silicon rectifier was developed in 1952 has absolutely no significance in this lawsuit. This is most graphically demonstrated by the

numerous holdings affirming trade secrets in processes for manufacture of common, well-known products. See, for example, *Heyden Chemical Corp. v. Burrell & Neidig*, 1949, 2 N.J. Supp. 48, 64 A. 2d 465 (trade secret in process for manufacture of formaldehyde—about as common a chemical compound as can be found); *Head Ski Co., Inc. v. Kam Ski Company Inc.*, D. C. Md. 1958, 158 F. Supp. 919 (a trade secret for manufacture of metal skis); *Franke v. Wiltschek*, 2 Cir., 1953, 209 F. 2d 493 (process for compressing a *face cloth* into shape of a small drum); *Monsanto Chemical Co. v. Millar*, D. C. Utah, 1958, 118 U.S.P.Q. 74 (process for production of *elemental phosphorous*).

The next "fact" Respondents assert is that the Silicon Corporation of America (Silcoa), purchased by Petitioner in 1955, was not a commercial nor financial success. Petitioner agrees that Silcoa had not, in 1955, been successful in developing a process for producing low-cost silicon rectifiers acceptable to the television and radio trade. The significant point is that Petitioner *did* develop such a process.

Without benefit of a single record reference, Respondents next blandly state as a "fact" that Petitioner was offering its rectifier to the trade within six to eight weeks. (Respondents do not indicate when the six to eight-week period began to run.) Respondents then assert that similar devices were being made by Sylvania, Clevite and Radio Recepter. At each of the record references given by Respondents, the witnesses testified that neither Clevite nor Radio Recepter had, at that time, developed, nor did they later develop, a commercial product.[1] No mention is made

[1] The following colloquies indicate the extent of Radio Receptor and Clevite activities in the silicon rectifier field:

"Q. Have you made a silicon rectifier containing an aluminum, gallium, and tin junction, since you left Silcoa?

at those pages of a Sylvania device. This is typical of Respondents' treatment of the record.

The next "fact" is an attack on the uniqueness of the Tarzian process with a reference to a large number of manufacturers of silicon rectifiers, none of which, however, are shown to have used a process even remotely resembling the pirated Tarzian process or its counterpart Audio process, and none of which companies were marketing rectifiers in competition with Tarzian in 1957.

Respondents contend that substantial sums were invested in development of their product but do not question Petitioner's statement that the $1,000,000.00 allegedly invested went to the purchase of a plant to house their rectifier division, and for equipment and inventory. No time or money was allocated to or used in research. The trial court did find "substantial" differences in the two processes which, in its opinion, were the result of "the conscious attempt by former employees not to infringe" on the Tarzian process. The fact that such conscious endeavor to hide the spoils of their raid left them with 50,000 scrap rectifiers, as Respondents point out (Resp. Brief p. 4, R. 1324), makes somewhat prophetic the statement by Petitioner's expert at trial that:

> "In this very complicated semiconductor business, one never knows for sure what is going to happen if he makes very, very minute changes in a process.

"A. Well, I have, yes.
"Q. At Radio Receptor?
"A. Yes; although this was not a commercial item. It did not become a commercial item.
"Q. It did not become a commercial item?
"A. No." (R. 1219)

And, at R. 1659-60:

"Q. Is it or is it not a fact that the process described in the Eighth Quarterly Report never became a commercial item with Klevite (sic.)?
"A. That is true, it never became a commercial item."

"Generally, or at least very often, when you change a process even by what would appear to be insignificant amounts, you find that you have difficulty at some other stage in the process, which you couldn't have anticipated." (R. 921-922.)

II.

The lower courts ignored APPLICABLE California law.

In answer to this Petitioner's contention that the trial court ignored applicable California law, Respondents have audited the opinion and report that 22 California decisions were cited. Of those 22 decisions, however, the bulk deal with unrelated customer list cases which furnish no real precedent or guide in determination of a case involving industrial trade secrets. In *Lee v. Samburn*, Calif. Sup. Ct., 1952, 94 U.S.P.Q. 153, which *was* ignored by the trial court, Judge Praeger, in a reasoned analysis of California precedent in this area, stated (94 U.S.P.Q. at p. 154):

> "There are not many cases in California involving improper disclosure or use of trade secrets (other than customer list cases). See: Gate-way, Inc. v. Wilson, 94 Cal. App. 2d 706 (83 USPQ 478); Levine v. Johnson, 107 Cal. App. 2d 322; Riess v. Sanford, 47 Cal. App. 2d 244; Germo Mfg. Co. v. McClellan, 107 Cal. App. 532; Holly v. Hunt, 13 Cal. App. 2d 335.
>
> "*Federal cases and cases from other states cast more light upon the subject.*" (Emphasis added.)

The few California cases cited and discussed by Judge Praeger were those cited also in the *By-Buk* case. Customer list cases were not considered by either Judge Praeger or the Appellate Court of California in the *By-Buk* case.

LeVine v. E. A. Johnson and Co., 1951, 107 Cal. App. 2d

322, 237 P. 2d 309, was the principal California non-customer list case relied on by the District Court. The Appellate Court of California in that case held against the plaintiff-employer for one reason alone, and that was because the defendant-employee had 40 years' experience in the specific processes involved. The case has no application to the present one.

The *By-Buk* case and *Lee v. Samburn* are parallel holdings setting forth careful analyses of the California law of trade secrets. On p. 7 of their brief, Respondents make certain curiously tortured arguments in an attempt to distinguish the holdings in those cases. (Resp. Brief, p. 7, 15). First, they state that because the trial court in this case found the Audio process to differ from the Tarzian process, *By-Buk* supports their position because, in that case, the defendant's machines were found to be copies of the plaintiff's machines. This illogical approach ignores the fact that the findings by the District Court in this case of "substantial" differences between the two processes were based solely on evidence of modifications adopted by Audio after the fact of appropriation. Evidence of the same type of modifications was held properly excluded in *By-Buk* and under all the authorities should have been given no effect in this case.[2]

Secondly, Respondents argue that *By-Buk* is distinguishable because the machines there involved were found to be unique. This argument ignores the fact that in *By-Buk* the finding of uniqueness and novelty was made in the face of the defendant's contention that such novelty was lacking because of the manufacture of similar machines by plain-

[2] See pp. 21-24 of Petitioner's Main Brief.

tiff's competitors. Under the District Court's holding in this case, novelty would have been lacking in *By-Buk*.

Finally, Respondents assert that in *By-Buk* the plaintiff developed his own machines after he had been unable to find any machines or plans for machines to assist him. It is apparent, however, that the court meant that the plaintiff was unable to find plans for machines by *legitimate* means. Certainly, the plaintiff in *By-Buk* could have followed Audio's example and pirated the machines and plans from his competitors who had already developed similar machines.[3] Petitioner does not deny that Audio might, after extensive independent thought, effort and expense, have developed a process to achieve the results achieved by Petitioner. The fact is that there was no independent development by Respondents, and, under California law, they had no right to the use of Petitioner's secret process.[4]

The decision by the trial court and the Court of Appeals should be reviewed by this Court for the reasons set forth in Petitioner's Main Brief. The petition for writ of certiorari should be granted.

Respectfully submitted,

C. B. Dutton,
Carl D. Overman,
Christopher Kirages,
Attorneys for Petitioner.

---

[3] Respondents point out on p. 15 of their brief that the plaintiff in *By-Buk* did not choose to do so but instead developed his own machines after a system of trial and error. Certainly, that plaintiff must have looked to existing knowledge in the art relevant to such machines. Nowhere have Respondents made the assertion that they, following a system of trial and error, developed their own manufacturing process from the existing knowledge in the art.

[4] "It is undoubtedly true that if. Tape Company [defendant] had used the same thought, labor and ingenuity which were used by plaintiff it might have been able to secure the same results that plaintiff did. But this fact does not destroy plaintiff's right not to have its processes wrongfully disclosed to others and used to its detriment." (By-Buk Company v. Printed Cellophane Tape Company, 329 P.2d at pp. 152-153.)